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July 12, 2024

Consolidated Financial Results for the Fiscal Year Ended May 31, 2024 (Based on Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 6047
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 Scheduled date of annual general meeting of shareholders: August 23, 2024
 Scheduled date to commence dividend payments: –
 Scheduled date to file annual securities report: August 28, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended May 31, 2024 (from June 1, 2023 to May 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2024	7,344	(8.8)	70	–	(829)	–	(1,186)	–
May 31, 2023	8,052	(10.5)	(268)	–	(1,705)	–	(1,150)	–

Note: Comprehensive income For the fiscal year ended May 31, 2024: ¥(849) million [–%]
 For the fiscal year ended May 31, 2023: ¥(1,110) million [–%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
May 31, 2024	(49.33)	–	(11.5)	(7.0)	1.0
May 31, 2023	(47.99)	–	(10.2)	(13.2)	(3.3)

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended May 31, 2024: ¥(933) million
 For the fiscal year ended May 31, 2023: ¥(1,428) million

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
May 31, 2024	11,339	9,970	87.2	412.80
May 31, 2023	12,324	10,857	87.5	449.24

Reference: Equity
 As of May 31, 2024: ¥9,890 million
 As of May 31, 2023: ¥10,788 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
May 31, 2024	(206)	271	(103)	5,090
May 31, 2023	(433)	604	0	5,100

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended May 31, 2023	Yen –	Yen 0.00	Yen –	Yen 0.00	Yen 0.00	Millions of yen –	% –	% –
Fiscal year ended May 31, 2024	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending May 31, 2025 (Forecast)	–	–	–	–	–		–	

Note: The forecasts of the annual dividends per share for the fiscal year ending May 31, 2025 are currently undetermined.

3. Consolidated earnings forecasts for the fiscal year ending May 31, 2025 (from June 1, 2024 to May 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending May 31, 2025	6,300	(14.2)	450	535.3	(101)	–	(308)	–	(12.85)

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Note: Although not a change in specified subsidiaries, Smarprise, Inc., which was a consolidated subsidiary, was excluded from the scope of consolidation due to the sale of shares held.

- (2) Changes in accounting policies, changes in accounting estimates, and restatement

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

- (3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of May 31, 2024	24,237,774 shares
As of May 31, 2023	24,237,774 shares

- (ii) Number of treasury shares at the end of the period

As of May 31, 2024	278,119 shares
As of May 31, 2023	222,444 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended May 31, 2024	24,047,377 shares
Fiscal year ended May 31, 2023	23,976,325 shares

Note: The number of treasury shares includes shares of the Company held by the stock-granting ESOP trust account (99,792 shares for the fiscal year ended May 31, 2023, and 86,067 shares for the fiscal year ended May 31, 2024).

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended May 31, 2024 (from June 1, 2023 to May 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
May 31, 2024	4,474	(20.6)	(486)	–	(528)	–	(549)	–
May 31, 2023	5,633	(16.5)	(376)	–	(387)	–	(665)	–

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
May 31, 2024	(22.86)	–
May 31, 2023	(27.74)	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
May 31, 2024	10,282	9,486	91.5	392.63
May 31, 2023	11,075	10,119	90.8	418.53

Reference: Equity

As of May 31, 2024: ¥9,407 million

As of May 31, 2023: ¥10,051 million

2. Non-consolidated earnings forecasts for the fiscal year ending May 31, 2025 (from June 1, 2024 to May 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending May 31, 2025	3,730	(16.6)	76	–	76	–	3.17

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended to guarantee achievement. Actual results may differ significantly from forecasts due to a wide range of factors. For assumptions underlying earnings forecasts and notes on the use of forecasts, refer to “1. Overview of Business Results, etc. (4) Future Outlook” on page 4 of the attached material.

Attached Material

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Period Under Review

Regarding the business environment surrounding the Group, smartphones continued to become increasingly common, with the percentage of smartphone users in Japan rising by 1.6 percentage points compared to the previous year to 78.9% in 2023 (Source: Ministry of Internal Affairs and Communications). Also, advertising expenditures hit a full-year record high in 2023, increasing to 7,316.7 billion yen (103% of the previous year), despite the impacts of sweltering heat from summer through autumn and the conflict in the Middle East, among other factors. Among the factors contributing to market growth, brisk online advertising expenditures against the backdrop of digitalization in society grew to 3,333.0 billion yen (107.8% of the previous year). Other contributions to market growth included elevated demand for video advertising owing to the increased use of Connected TVs (TV terminals connected to the Internet), as well as growth in the digital promotions market. On the other hand, display advertising for reservation-based ads—one of the products we handle—fared less favorably, declining to 82.8% of the previous year (Dentsu Inc. study).

Under these circumstances, for the existing media business, the Group has focused on improving profitability at Gunosy, and on au Service Today and NewsPass, which are apps hosted collaboratively with KDDI Corporation, to strengthen partnership with KDDI.

Gunosy is designed to be a news media for the new era that will serve as an infrastructure for society, and initiatives are implemented to enable optimal delivery of “must-know information” with high social value and “want-to-know information” with high personal value. In the fourth quarter of the fiscal year under review, we limited our investments in advertising in light of our profitability situation and uncertainties in the advertising market. Owing to the fact that the user retention rate has remained stable, we have maintained roughly the same number of users from the previous quarter, at 100% of the previous quarter. As for profitability per user, a metric we have thus far sought to improve, by implementing various measures in the second quarter to modify our advertising logic and beef up our sales activities, we have maintained a certain level of profitability (95% of the previous quarter) even despite the challenging conditions in the display advertising market for reservation-based ads. Going forward, we will press ahead with efforts aimed at improving profitability per user, strive to lower operating costs, and aim to get full-year non-consolidated operating profit back into positive territory.

In the Game8 business, we posted record-high net sales and operating profit in the fourth quarter of the fiscal year under review as a result of not only the steady performance of the domestic media solutions business, but the continued strong profitability in overseas operations.

At our equity-method affiliate GaragePreneurs Internet Pvt. Ltd. (hereinafter, “GaragePreneurs”), progress is being made on the process for merging with North East Small Finance Bank Ltd. (hereinafter, “NESFB”). We obtained approval from the RBI for the merger with NESFB in September 2023, followed by approval from the Competition Commission of India (CCI) in March 2024. We continue to carry out the various procedures so that the merger between GaragePreneurs and NESFB will become legally binding.

Regarding revenues, net sales related to Gunosy Ads amounted to 3,978 million yen for the current fiscal year. Net sales related to ad networks amounted to 317 million yen for the current fiscal year while continuing strict ad examinations.

As for expenses, as a result of partially limiting our investments in advertising in response to changes in market conditions, we recorded advertising expenses of 863 million yen (down 19.0% compared with the previous fiscal year), while media costs decreased as a result of lower net sales related to ad networks.

Additionally, we recorded 933 million yen in investment losses through the equity method for our equity-method affiliate GaragePreneurs. In addition, we recorded 386 million yen in gain on sale of shares of subsidiaries and associates as extraordinary income and 380 million yen in loss on valuation of investment securities as an extraordinary loss.

As a result, for the current fiscal year, net sales decreased by 8.8% from the previous fiscal year to 7,344 million yen, ordinary loss was 829 million yen compared to ordinary loss of 1,705 million yen in the previous fiscal year, and loss attributable to owners of parent was 1,186 million yen compared to loss attributable to owners of parent of 1,150 million yen in the previous fiscal year.

The cumulative number of downloads of all Gunosy, NewsPass, and au Service Today in Japan for the current fiscal year increased by 5.28 million from the end of the previous fiscal year to 70.72 million.

Descriptions related to segment information are omitted because the Group has only one major segment, the Media business.

(2) Overview of Financial Position for the Period Under Review

(Assets)

Assets at the end of the current fiscal year decreased by 985 million yen from the end of the previous fiscal year to 11,339 million yen. This is mainly attributable to a decrease in other under current assets (a decrease of 178 million yen from the end of the previous fiscal year) and a decrease in investment securities (a decrease of 764 million yen from the end of the previous fiscal year).

(Liabilities)

Liabilities at the end of the current fiscal year decreased by 97 million yen from the end of the previous fiscal year to 1,368 million yen. This is mainly attributable to a decrease in advances received (a decrease of 179 million yen from the end of the previous fiscal year).

(Net assets)

Net assets at the end of the current fiscal year decreased by 887 million yen from the end of the previous fiscal year to 9,970 million yen. This is mainly attributable to a decrease in retained earnings (a decrease of 1,254 million yen from the end of the previous fiscal year) and an increase in foreign currency translation adjustment (an increase of 348 million yen from the end of the previous fiscal year).

(3) Overview of Cash Flows for the Period Under Review

Cash and cash equivalents (hereinafter referred to as “capital”) for the current fiscal year decreased by 9 million yen from the previous fiscal year to 5,090 million yen. The following describes the situation of the current fiscal year details for each type of cash flow.

(Cash flows from operating activities)

Capital used by operating activities during the current fiscal year amounted to 206 million yen (compared with 433 million yen used during the previous fiscal year). This is mainly attributable to recording loss before income taxes of 840 million yen, an increase in trade receivables of 75 million yen, a decrease in advances received of 79 million yen, and share of loss of entities accounted for using equity method of 933 million yen.

(Cash flows from investing activities)

Capital provided by investing activities during the current fiscal year amounted to 271 million yen (compared with 604 million yen provided during the previous fiscal year). This is mainly attributable to payments into time deposits of 741 million yen and proceeds from withdrawal of time deposits of 882 million yen.

(Cash flows from financing activities)

Capital used by financing activities during the current fiscal year amounted to 103 million yen (compared with 0 million yen provided during the previous fiscal year). This is mainly attributable to purchase of treasury shares of 99 million yen.

(Reference) Changes in indicators related to cash flows

	Fiscal year ended May 31, 2020	Fiscal year ended May 31, 2021	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023	Fiscal year ended May 31, 2024
Equity ratio (%)	84.8	85.0	87.3	87.5	87.2
Equity ratio based on fair value (%)	170.1	169.2	151.4	119.6	152.8
Interest-bearing debt to cash flows ratio (Years)	–	–	–	–	–
Interest coverage ratio (Times)	–	3,487.3	–	–	–

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on fair value: Total market value of shares / Total assets

Interest-bearing debt to cash flows ratio: Interest-bearing debts / Cash flows

Interest coverage ratio: Cash flows / Interest paid

- (Notes)
1. The indicators were calculated using consolidated financial figures.
 2. The total market value of shares was calculated based on the number of shares outstanding, excluding treasury shares.
 3. In the description above, "Cash flows" represent cash flows from operating activities.
 4. Interest-bearing debts include all debts recorded on the Consolidated Balance Sheets for which interest is paid. Interest paid is the interest expenses paid shown on the Consolidated Statements of Cash Flows.
 5. The interest coverage ratio was not calculated for the fiscal years ended May 31, 2020, 2022 and 2024, as the cash flows from operating activities were negative. Furthermore, as there was no interest paid from the interest coverage ratio (times) for the fiscal year ended May 31, 2023, it has not been provided.

(4) Future Outlook

In the fiscal year ended May 31, 2024, in light of the trends in advertising market conditions and other macroeconomic factors, we sought to return to full-year non-consolidated operating profitability by shifting away from our initial policy of sales growth through investments in advertising and instead focus on enhancing productivity whilst partially limiting, by more than in the past, our advertising investments.

Based on the circumstances mentioned above, on the assumption of a swing back to consolidated and non-consolidated operating profitability, the Group will pare back its advertising investments for Gunosy in the next fiscal year, but press ahead with business structure improvements and measures for improving user convenience, for example, by integrating LLM-enabled functions. Additionally, for au Service Today, run jointly with KDDI Corporation, and NewsPass, the Group will focus on improving products to increase adoption by au users. For Game8 Inc., a consolidated subsidiary, while continuing stable operations of game8.jp, which is a game strategy media, the Company will create drivers for growth by developing overseas businesses and other new businesses. As for GaragePreneurs Internet Pvt. Ltd. (hereinafter, "GaragePreneurs"), the Company's equity-method affiliate, we continue to make progress on the process for a merger with NESFB. Until the merger is realized, we will focus on appropriate risk control and improve earnings through stable business growth. After the merger, we will aim to accelerate further growth by providing an inclusive digital finance experience and overhauling the existing banking business model. Moreover, to enhance capital efficiency and our ability to generate profits, we will examine the possibility of M&As with the use of cash and deposits on hand. We will also pursue our own DX by leveraging the Group's technology and endeavor to create new businesses with the use of LLMs.

Regarding the consolidated financial results forecast for the fiscal year ending May 31, 2025, based on the business factors outlined above, net sales are projected to be 6,300 million yen (a decrease of 14.2% from the previous fiscal year), operating profit to be 450 million yen (an increase of 535.3% from the previous fiscal year), ordinary loss to be 101 million yen (compared with an ordinary loss of 829 million yen for the previous fiscal year), and loss attributable to owners of parent to be 308 million yen (compared with a loss attributable to owners of parent of 1,186 million yen in the previous fiscal year).

To make a financial results forecast for the fiscal year ending May 31, 2025, the numbers of downloads, net sales, and expenses for the existing business areas are determined as follows:

(a) Number of downloads

The number of new downloads is calculated based on some factors, such as advertising expenses to be spent, actual past cost per download (Advertising expenses / Number of new downloads), and an expected decrease in the download rate. The financial results forecast is made based on the assumption that the cumulative number of downloads of all Gunosy, NewsPass, and au Service Today will reach 76.34 million at the end of the fiscal year ending May 31, 2025.

(b) Net sales

Net sales related to Gunosy Ads are calculated based on past performance and other factors, such as the number of downloads, the retention rate of users who downloaded apps, and the profitability of retained users. Net sales related to other media are also calculated based on past performance and other factors.

(c) Cost of sales

The calculation is based on labor costs calculated from the human resource plan and actual past costs, such as server costs.

(d) Selling, general and administrative expenses

The calculation takes into account advertising expenses of 689 million yen will be required for the fiscal year ending May 31, 2025, to achieve the expected number of downloads described above, as well as other factors including labor costs calculated from the human resource plan and actual past costs, such as rent expenses on buildings and other factors.

2. Basic Stance Concerning Choice of Accounting Standards

The Group prepares its consolidated financial statements using Japanese GAAP. Carefully observing the trend of introducing International Financial Reporting Standards (IFRS) in the future, the Group will make efforts to establish a system to appropriately adapt to trends.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2023	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	5,925	5,874
Accounts receivable - trade	669	676
Other	677	499
Total current assets	7,272	7,050
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8	7
Other, net	4	2
Total property, plant and equipment	12	10
Intangible assets		
Goodwill	40	–
Other	0	0
Total intangible assets	40	0
Investments and other assets		
Investment securities	4,940	4,175
Deferred tax assets	18	62
Other	39	40
Total investments and other assets	4,998	4,277
Total non-current assets	5,051	4,288
Total assets	12,324	11,339

(Millions of yen)

	As of May 31, 2023	As of May 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	421	249
Accounts payable - other	325	288
Income taxes payable	42	334
Advances received	466	287
Provision for point card certificates	0	–
Provision for share awards	9	9
Other	172	135
Total current liabilities	1,438	1,306
Non-current liabilities		
Provision for share awards	9	8
Deferred tax liabilities	19	54
Total non-current liabilities	28	62
Total liabilities	1,466	1,368
Net assets		
Shareholders' equity		
Share capital	4,099	4,099
Capital surplus	4,099	4,099
Retained earnings	2,478	1,223
Treasury shares	(307)	(288)
Total shareholders' equity	10,369	9,134
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16	58
Deferred gains or losses on hedges	90	37
Foreign currency translation adjustment	311	660
Total accumulated other comprehensive income	419	756
Share acquisition rights	68	79
Total net assets	10,857	9,970
Total liabilities and net assets	12,324	11,339

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)**

(Millions of yen)

	Fiscal year ended May 31, 2023	Fiscal year ended May 31, 2024
Net sales	8,052	7,344
Cost of sales	4,945	4,375
Gross profit	3,106	2,969
Selling, general and administrative expenses	3,375	2,898
Operating profit (loss)	(268)	70
Non-operating income		
Interest income	19	34
Foreign exchange gains	12	38
Other	4	5
Total non-operating income	35	78
Non-operating expenses		
Interest expenses	–	0
Commission expenses	15	9
Loss on investments in investment partnerships	23	34
Share of loss of entities accounted for using equity method	1,428	933
Other	4	0
Total non-operating expenses	1,473	978
Ordinary loss	(1,705)	(829)
Extraordinary income		
Gain on sale of investment securities	9	4
Gain on sale of shares of subsidiaries and associates	–	386
Gain on change in equity	1,001	–
Gain on reversal of share acquisition rights	18	0
Other	14	–
Total extraordinary income	1,042	391
Extraordinary losses		
Impairment losses	65	22
Loss on valuation of investment securities	111	380
Loss on sale of shares of subsidiaries and associates	11	–
Total extraordinary losses	188	403
Loss before income taxes	(851)	(840)
Income taxes - current	93	355
Income taxes - deferred	224	(10)
Total income taxes	317	345
Loss	(1,169)	(1,186)
Loss attributable to non-controlling interests	(18)	–
Loss attributable to owners of parent	(1,150)	(1,186)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended May 31, 2023	Fiscal year ended May 31, 2024
Loss	(1,169)	(1,186)
Other comprehensive income		
Valuation difference on available-for-sale securities	(30)	41
Deferred gains or losses on hedges	35	(53)
Foreign currency translation adjustment	(1)	–
Share of other comprehensive income of entities accounted for using equity method	55	348
Total other comprehensive income	59	336
Comprehensive income	(1,110)	(849)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,091)	(849)
Comprehensive income attributable to non-controlling interests	(18)	–

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended May 31, 2023

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	4,099	4,099	3,709	(463)	11,444	47	55	257	360	86	43	11,934
Changes during period												
Loss attributable to owners of parent			(1,150)		(1,150)							(1,150)
Purchase of treasury shares				(0)	(0)							(0)
Disposal of treasury shares			(80)	156	75							75
Net changes in items other than shareholders' equity						(30)	35	54	59	(17)	(43)	(2)
Total changes during period	-	-	(1,231)	156	(1,075)	(30)	35	54	59	(17)	(43)	(1,077)
Balance at end of period	4,099	4,099	2,478	(307)	10,369	16	90	311	419	68	-	10,857

For the fiscal year ended May 31, 2024

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	4,099	4,099	2,478	(307)	10,369	16	90	311	419	68	10,857
Changes during period											
Loss attributable to owners of parent			(1,186)		(1,186)						(1,186)
Purchase of treasury shares				(99)	(99)						(99)
Disposal of treasury shares			(68)	119	51						51
Net changes in items other than shareholders' equity						41	(53)	348	336	10	347
Total changes during period	-	-	(1,254)	19	(1,235)	41	(53)	348	336	10	(887)
Balance at end of period	4,099	4,099	1,223	(288)	9,134	58	37	660	756	79	9,970

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended May 31, 2023	Fiscal year ended May 31, 2024
Cash flows from operating activities		
Loss before income taxes	(851)	(840)
Depreciation	22	4
Impairment losses	65	22
Amortization of goodwill	23	17
Foreign exchange losses (gains)	(145)	(178)
Interest income	(19)	(34)
Interest expenses	–	0
Loss (gain) on sale of investment securities	(9)	(4)
Loss (gain) on valuation of investment securities	111	380
Loss (gain) on sale of shares of subsidiaries and associates	–	(386)
Share of loss (profit) of entities accounted for using equity method	1,428	933
Loss (gain) on change in equity	(1,001)	–
Decrease (increase) in trade receivables	72	(75)
Increase (decrease) in trade payables	(203)	(55)
Increase (decrease) in accounts payable - other	49	(13)
Decrease (increase) in prepaid expenses	(111)	81
Increase (decrease) in advances received	120	(79)
Increase (decrease) in provision for share awards	20	14
Other, net	104	23
Subtotal	(322)	(189)
Interest and dividends received	19	33
Interest paid	–	(0)
Income taxes paid	(129)	(50)
Net cash provided by (used in) operating activities	(433)	(206)
Cash flows from investing activities		
Payments into time deposits	(891)	(741)
Proceeds from withdrawal of time deposits	1,816	882
Purchase of investment securities	(323)	(194)
Proceeds from sale of investment securities	29	4
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(33)	–
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	323
Proceeds from refund of leasehold and guarantee deposits	0	–
Other, net	6	(3)
Net cash provided by (used in) investing activities	604	271
Cash flows from financing activities		
Proceeds from short-term borrowings	–	2,000
Repayments of short-term borrowings	–	(2,000)
Purchase of treasury shares	(0)	(99)
Proceeds from disposal of treasury shares	16	6
Commission fee paid	(15)	(10)
Net cash provided by (used in) financing activities	0	(103)
Effect of exchange rate change on cash and cash equivalents	(18)	29
Net increase (decrease) in cash and cash equivalents	152	(9)
Cash and cash equivalents at beginning of period	4,947	5,100
Cash and cash equivalents at end of period	5,100	5,090

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in presentation)

(Consolidated Statements of Cash Flows)

For the previous fiscal year, “Purchase of treasury shares” was included in “Other, net” under “Cash flows from financing activities.” The Company decided to present it separately starting from the current fiscal year because its financial importance increased. In addition, “Commissions fee paid” has also been separated to enhance clarity of presentation. To reflect the presentation change, a reclassification is made to the consolidated financial statements for the previous fiscal year.

As a result, on the Consolidated Statements of Cash Flows for the previous fiscal year, the amount of (15) million yen recorded in “Other, net” under “Cash flows from financing activities” is reclassified into “Purchase of treasury shares” under “Cash flows from financing activities” with an amount of (0) million yen and “Commission fee paid” with an amount of (15) million yen.

(Related to the Consolidated Statement of Income)

Impairment losses

The Group recorded impairment losses on the following asset groups.

For the fiscal year ended May 31, 2023

(Millions of yen)

Location	Use	Type	Amount
Shibuya-ku, Tokyo	Business assets	Buildings and structures	0
		Property, plant and equipment (other)	1
		Intangible fixed assets (other)	32
		Investments and other assets (other)	30
Total			65

(a) History leading to the recognition of impairment losses

With revisions to the Company's business plan, as the estimation period for the remaining useful life of our main assets, as a result of comparing future cash flow based on the business plan with the book value of fixed assets, because future cash flow fell below book value, we have depreciated the book value to the recoverable value and recorded the impairment loss on the amount of the reduction in question as an extraordinary loss.

(b) Method for asset grouping

The Group conducts assets grouping using the minimum unit created by mostly independent cash flows based on the main business categories.

(c) Calculation method for the recoverable value

The recoverable value is measured using the utility value, and the recoverable value is calculated as zero as no future cash flow is expected.

For the fiscal year ended May 31, 2024

(Millions of yen)

Location	Use	Type	Amount
Shibuya-ku, Tokyo	Business assets	Property, plant and equipment (other)	2
		Investments and other assets (other)	19
Total			22

(a) History leading to the recognition of impairment losses

Impairment losses were recorded mostly in the first six months of the fiscal year.

As a result of comparing future cash flow based on the business plan with the book value of fixed assets as of the end the second quarter, because future cash flow fell below book value, we have depreciated the book value to the recoverable value and recorded the impairment loss on the amount of the reduction in question as an extraordinary loss.

(b) Method for asset grouping

The Group conducts assets grouping using the minimum unit created by mostly independent cash flows based on the main business categories.

(c) Calculation method for the recoverable value

The recoverable value is measured using the utility value, and the recoverable value is calculated as zero as no future cash flow is expected.

(Segment information, etc.)

[Segment information]

Segment information is omitted because the Group has only one major segment, the Media business.

[Related information]

For the fiscal year ended May 31, 2023

1. Information by product and service

Omitted because net sales to outside customers in the single product/service category account for more than 90% of net sales on the Consolidated Statements of Income.

2. Information by geographical area

(1) Net sales

Omitted because net sales to outside customers in Japan account for more than 90% of net sales on the Consolidated Statements of Income.

(2) Property, plant and equipment

There is no relevant information because there are no property, plant and equipment owned outside Japan.

3. Information by major customer

Customer name	Net sales (Million yen)	Related segment
KDDI Corporation	823	Media business

For the fiscal year ended May 31, 2024

1. Information by product and service

Omitted because net sales to outside customers in the single product/service category account for more than 90% of net sales on the Consolidated Statements of Income.

2. Information by geographical area

(1) Net sales

Omitted because net sales to outside customers in Japan account for more than 90% of net sales on the Consolidated Statements of Income.

(2) Property, plant and equipment

There is no relevant information because there are no property, plant and equipment owned outside Japan.

3. Information by major customer

Customer name	Net sales (Million yen)	Related segment
KDDI Corporation	898	Media business

[Information about impairment losses on non-current assets by reportable segment]

For the fiscal year ended May 31, 2023

Segment information is omitted because the Group has only one major segment, the Media business. Furthermore, impairment losses were 65 million yen in the previous fiscal year.

For the fiscal year ended May 31, 2024

Segment information is omitted because the Group has only one major segment, the Media business. Furthermore, impairment losses were 22 million yen in the current fiscal year.

[Information about amortization amount and unamortized balance of goodwill by reportable segment]

For the fiscal year ended May 31, 2023

Segment information is omitted because the Group has only one major segment, the Media business.

For the fiscal year ended May 31, 2024

Segment information is omitted because the Group has only one major segment, the Media business.

[Information about gain on bargain purchase by reportable segment]

There is no relevant information.

(Per share information)

(Yen)

	For the fiscal year ended May 31, 2023	For the fiscal year ended May 31, 2024
Net assets per share	449.24	412.80
Basic earnings (loss) per share	(47.99)	(49.33)

- (Notes) 1. Regarding diluted earnings per share, while there are residual shares, they are not provided as there were diluted losses per share.
2. In the calculation of net assets per share, the Company's shares that are recorded as treasury shares under the shareholders' equity and held by the stock-granting ESOP trust account are included in treasury shares that are excluded from the total number of outstanding shares at the end of the period. In the calculation of basic earnings (loss) per share and diluted earnings per share, they are included in treasury shares that are excluded when calculating the average number of shares during the period.
3. In the calculation of net assets per share, the number of the treasury shares excluded from the total number of outstanding shares at the end of the period is 99,792 shares for the previous fiscal year and 86,067 shares for the current fiscal year. In the calculation of basic earnings (loss) per share and diluted earnings (loss) per share, the number of the treasury shares excluded from the average number of shares during the period is 109,735 shares for the previous fiscal year and 91,530 shares for the current fiscal year.
4. The basis for calculating basic earnings (loss) per share is as follows:

	For the fiscal year ended May 31, 2023	For the fiscal year ended May 31, 2024
Loss attributable to owners of parent (Million yen)	(1,150)	(1,186)
Amount not attributed to common shareholders (Million yen)	–	–
Loss attributable to owners of parent (Million yen)	(1,150)	(1,186)
Average number of shares of common shares outstanding during the period (Shares)	23,976,325	24,047,377

	For the fiscal year ended May 31, 2023	For the fiscal year ended May 31, 2024
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	7th share acquisition rights 30,000 units (30,000 common shares) Issued on July 29, 2016	7th share acquisition rights 30,000 units (30,000 common shares) Issued on July 29, 2016
	9th share acquisition rights 1,600 units (1,600 common shares) Issued on July 29, 2019	9th share acquisition rights 1,600 units (1,600 common shares) Issued on July 29, 2019
	10th share acquisition rights 8,700 units (8,700 common shares) Issued on September 14, 2020	10th share acquisition rights 8,700 units (8,700 common shares) Issued on September 14, 2020
	11th share acquisition rights 82,900 units (82,900 common shares) Issued on June 2, 2021	11th share acquisition rights 74,900 units (74,900 common shares) Issued on June 2, 2021
	12th share acquisition rights 8,000 units (8,000 common shares) Issued on September 30, 2021	12th share acquisition rights 8,000 units (8,000 common shares) Issued on September 30, 2021
	13th share acquisition rights 23,000 units (23,000 common shares) Issued on May 2, 2022	13th share acquisition rights 20,000 units (20,000 common shares) Issued on May 2, 2022
	14th share acquisition rights 31,800 units (31,800 common shares) Issued on June 29, 2022	14th share acquisition rights 24,700 units (24,700 common shares) Issued on June 29, 2022
		15th share acquisition rights 24,000 units (24,000 common shares) Issued on July 3, 2023

5. The basis for calculating net assets per share is as follows:

	As of May 31, 2023	As of May 31, 2024
Total net assets (Million yen)	10,857	9,970
Amount deducted from total net assets (Million yen)	68	79
(Share acquisition rights) (Million yen)	(68)	(79)
Year-end net assets related to common shares (Million yen)	10,788	9,890
Number of common shares at year-end used to calculate net assets per share (Shares)	24,015,330	23,959,655

(Significant subsequent events)

There is no relevant information.